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POLITICS AND PROSPERITY

BY JAMES B. DUKE

WHILE business prosperity is not the chief concern of individuals, the bringing about and maintenance of conditions essential to business prosperity is the chief concern of modern governments. To keep just peace with foreign nations is perhaps more important—but this does not require constant effort; to preserve order and maintain the machinery for the administration of justice is equally vital—but this is left largely to local authorities. The time and attention of the executive and legislative departments of the Federal Government, in normal times, ought to be, and are, principally taken up with matters that are essentially and fundamentally business matters, having to do with the financial well being of the citizens of the United States. The tariff, the income tax, the currency and banking laws, the anti-trust laws, the interstate commerce commission and trade commission statutes, are all matters of precisely this kind.

It is a great mistake to assume, as to most of these matters, that there is a conflict in interest between different classes of citizens—certainly if comparative wealth is the basis of the classification. Undoubtedly it is unpleasant for the average man to pay direct taxes, and therefore, an income tax, especially when it is graduated, may be assumed to displease the rich, who have to pay it, and, correspondingly, to please the poor, who do not have to pay it. Generally speaking, though, these matters of business involve no conflict of interest whatever. The very conditions that bring good dividends to the shareholder and opportunities otherwise for the profitable investment of capital, bring good wages and abundant work to the wage-earner and good markets to the farmer; and the very conditions that bring distress to one bring distress to all. The difference between the various elements is not a matter of conflict, but a matter of vast difference of degree of interest:

the conditions that merely curtail the dividends of the shareholder, and lessen the income of the capitalist, may bring the best obtainable wage of the laborer to the starvation-point, or, worse still, transfer him from the ranks of self-supporting and self-respecting labor to the bread-line.

It is not a pleasant contemplation, but it is the simple truth, that since 1904 the whole course of national political affairs, so far as it has been influential at all, has been—with one solitary exception—toward the depression of business, the hindering of business prosperity, the curtailment of the income of the capitalist and the laborer alike. That single exception has been the so-called Federal Reserve Act, which, while it has in it possible seeds of inflation and danger, is, in the opinion of most competent financiers, a work of constructive legislation that at least makes violent money panics most improbable, and frees the currency of the country from the danger of centralized and discriminating control.

That is the only exception, and, in my judgment, bad as business now is in this country, if it were not for some of the benefits that come to our trade from the European War we would now be in a condition infinitely more distressing. Thousands of men are now out of employment, but there would be tens of thousands if peace had reigned. Certain farm products have been low because of the war, but it is my belief that cotton itself is at as high a price now as it would have been by this time if conditions of the first half of 1914 had continued; and the prices of other farm products are twice as high. Mills have had to close or run on part time, but are better off, infinitely—they and their employees—than they would have been had the world been spared the sickening sight of men by the millions engaged in shooting each other down. The European War is a nightmare to all humane men, and ultimately we must suffer financially, as well as in our pity and sympathies, on account of it, but, so far, its effect on our business prosperity undoubtedly has shown a decided balance of advantage and not disadvantage to us.

It is an elementary truth that any individual, family, community, or nation may spell its business success or failure in terms of income and outgo. More received than expended means business success, rapid or slow as the excess of receipts over expenditure is great or small. More expended than received means failure, quick or delayed as the deficit is great or small, and as the resources are considerable or insignificant.

This condition is revealed in nations by what is called the balance of trade. Some countries—as England—have enormous incomes from foreign investments, and some—like Switzerland and France (at least so far as Paris is concerned)—have enormous incomes from foreign tourists. The United States is neither the world's bank nor the world's playground. We must, in the nature of things, send large sums to European countries in interest and dividends, and our rich and pleasure-seeking compatriots spend much in luxuriant living and luxuriant buying in European capitals and recreation districts and shopping centers. We are producers of *things*, and if we are to have the success that attends an excess of income over outgo, we must make our *export of things sold* sufficiently exceed our *import of things bought* to do more than balance our interest charges and tourist expenditures. If this so obvious thing be true, might not one expect to find a policy in the administration of national affairs that would seek to increase exports and seek to decrease imports? Could the head of any manufacturing, farming, or other producing business defend a policy in favor of decreased sales and increased purchases? Has not "raise your own supplies" and make your surplus for sale as large as possible been the advice given to, though, unfortunately, not always heeded by, farmers everywhere?

The fact, however, is that the deliberate, and apparently premeditated, conduct of our Federal Government since 1904 has tended to prevent our "raising our own supplies," and tended to make our surplus for sale as small, and not as large, as possible.

The building of an export business in manufactured products is a difficult undertaking. The customs, tastes, desires, even whims, of the prospective buyers must be carefully studied and heeded. Their currency, terms of credit, and methods of distribution to the consumer must be taken into account. Most of our manufactured products have, as a large item of their cost, labor, and our foreign competitors have cheaper labor than we have now, and cheaper, I trust, than we ever will have. No concern, whose products are without patent protection, can hope to build an export business unless it has adequate capital to make large investments, whose return—like bread cast upon the waters—it may see "after many days," and may not see at all unless its operations are so large as to give it a maximum of efficiency and economy in production. In other words, a manufacturing concern that builds an export business worth while must be a big concern—it must be a part of "big business."

Now, since 1904, nothing has been quite so antipathetic to the Federal Government—quite so conducive to the hostility and sinister suspicion of all departments of the Federal Government—as “big business.” Undoubtedly “big business,” as well as little business, has erred and erred grievously, and these errors have deserved the corrective influence—severe condemnation, if you please—of the legislative, executive, and judicial departments. So far, very well. But the vital fault is that it has not been the wrongs, but the size—the power—that have been crucified. Power and wealth—accompanied by the evidence of a desire to accumulate power and wealth—led to the condemnation and disintegration of the Standard Oil Company and the American Tobacco Company. It is the basis of the charge of the Government in the Steel case, the Harvester case, and the Cash Register case. Now, wealth and power in a business organization bring a capacity for evil, it is true—as do talent and power in an individual—but they are essential, in the one case as in the other, to the accomplishment of much good.

No one can read the decisions of the courts in the anti-trust cases, nor the briefs for the prosecution in such cases, without being brought to the fact that it is mere “bigness” that is crucial and condemnatory; all else is detail. Motives are questioned in some cases, but they are motives that involve an ambition to become big; forms of growth are denounced, but in the very opinions that condemn them it is said that substance is infinitely more than form. In one case—as in Standard Oil and Tobacco—the company is criticized for not being sufficiently considerate of the welfare of competitors; while in another—the Steel case—the complaint is that too much consideration has been accorded competitors. In the one case and the other the real objection is to size and success.

There has been nothing unintended in the attitude of the executive department of the Federal Government in this matter. As early as January, 1910, the Attorney-General in the argument of one of the anti-trust cases in the Supreme Court of the United States, conceded his effort to be one to cripple the foreign commerce of his country, and put upon Congress the responsibility for his action. “Nevertheless,” he said, “Congress was undoubtedly, in passing that Act (the Sherman Act), expressing the mature, deliberate judgment of the people of the United States, that it was far more important to them that all combinations of the character that we have here should be destroyed, than that our great foreign trade and commerce

should expand as it has done, and that we should be as rich a nation as we are."

Well, so far as the cases have reached the Supreme Court, the "mature, deliberate judgment of the people of the United States," as interpreted by the Federal Department of Justice, has been invariably enforced, and some of the effective builders of our "foreign trade"—some of those who had contributed to making the "nation as rich as we are"—have been put out of business. In the mean time, so far as I have been advised, the serried ranks of interrogation-points that surround and threaten successful business men have not been diminished, but have been increased in their numbers and in their terrors, by new legislation and new commissions and new inquisitions.

In the midst of this condemnation and uncertainty, the exporters have drawn back, naturally. Their business did not disappear overnight. There has been nothing deliberate about it; no purposed curtailment of effort; business men do not regulate their affairs with the view of teaching either the Government or the voters a lesson. Inevitably (subject to the abnormal conditions that the European War has brought) there has been a curtailment of our manufactured exports because of the hostility of all the circumstances toward the exporters. Can the export trade in harvesting machinery be energetically exploited when the company that makes and markets harvesting machinery is fighting, through the courts, for its life? Can the export trade in cash-registers receive the full thought and energy of the chief executive of a company when he is trying to reverse and annul a sentence of imprisonment?

There has been, then, a cutting down of our export business by a tendency to cripple those who have the capital and organization essential to effective competition in the export fields. This has been to the loss of these companies and to their employees, who might have labored in the production of goods for export, and to merchants, farmers, laborers who would have supplied the wants of these employees, if the employees could have enjoyed the luxury of satisfying their wants.

The place of these exporters is not to be taken by small independent exporters permitted, by a dispensation, to work in combination in their foreign trade in violation of a law that is a criminal statute and therefore presumably defines a crime. There ought to be no permission given to commit a crime. If the statute in truth defines what ought to be criminal—what shocks the conscience of the average good citizen—there

can be no excuse for a dispensation that will prevent its execution, wherever the jurisdiction of the United States extends. If, as construed by the courts, it does not describe what is properly a crime, it ought not to exist as a criminal statute. In any event, foreign trade will not be gotten by any voluntary association, subject to the looseness of control and the jealousies and bickerings of such associations. It is to be gotten, if at all, by highly organized, largely capitalized concerns, having income already assured sufficient to enable them to look with complacency upon initial losses in foreign fields. In some lines of new business—as in automobiles—an individual may “from the ground,” and without co-operation except from his employees, succeed, but generally, short as the individual’s life is, a business concern of the capacity required is resultant from the combination, at some time or other, in some form or other, of the business, brains, and training of several—perhaps many—formerly competing companies.

Having adopted a policy, the recognized effect of which was to discourage our export sales and thus diminish our income of foreign gold, our Government, with the change of administration in 1913, in its tariff legislation, adopted a policy deliberately designed to increase our purchases from abroad—and thus, at the same time, to diminish the opportunities of employment of our workmen, and increase our outgo of gold. The tariff question has been discussed since the world—the business world—began, and the man who thought he had a new word to add to the discussion would be rash and presumptuous. I hope I am neither the one nor the other, but it is and always has been to me one of the things past finding out, how any one whose schooling has been in practical business matters, and whose opportunities have included the opportunity to watch the larger currents of trade, can favor as a fiscal policy for his country what he recognizes as sheer folly for himself, or his family, or his neighbors.

There must be an analogy between the state of mind that in 1896 led some to favor free silver and the state of mind that in 1915 leads others—perhaps largely the same people—to favor free trade. If the world were one—with the same mints and coinage laws and currency denominations extending everywhere—it is easy to believe that the free and unlimited coinage of silver and gold at a fixed ratio would be practicable and wise. If the world were one, it is also conceivable that it would attain its highest development if each section devoted itself to the production of what it could produce best, buying from other

sections what they could produce better, and giving in exchange its own supreme and glorified products. There would be involved in this conception, though, equality of wages, unselfishness in men, and a complete making over of human nature, as well as of political and industrial life. But the world is still composed of contending forces and if we are to play our part in the world's trade we must, in the first place, have a currency such as the world uses, and we must, in the second place, make our fiscal policies conform to things as they are, and not to things as they might be. England, with its enormous interest and dividend income from foreign lands, needs industrial growth less than any other country, and, except England, there is no country whose government is not jealously attempting to hold for its own producers its own markets, and to obtain for them, and to encourage them in the obtaining, foreign markets for the disposition of their surplus.

Yes, there is one other: our own. But more than any other country on earth we need that policy. We are yet a new land, with undeveloped resources, with high wages, with substantially no foreign investments, and we require an export trade. If our policy of opening our markets to the foreigner insured his opening his markets to us, the situation would be different, but such is not the fact and such is not the tendency. In the game of business, as in most other games, men take advantage of, rather than imitate, the mistakes of their rivals.

We can survive, with our exports of agricultural products and our sporadic and unorganized exports of manufactured products to set off against our foreign interest payments and tourist expenditures, but only if our own producers are protected in their occupancy of their home market. Whatever party platforms may say to the contrary, there has been no revision of the tariff in fifty years that did not, in some things and to some extent, recognize the desirability of protection. But our last tariff law was framed by those who deny the validity of the principle; the protection it gives is haphazard and half-hearted; it was designed deliberately to increase the consumption by our own people of foreign-made goods, and, to the extent it succeeds, to diminish the market of the American producer.

The normal effect of all fiscal legislation and trade tendencies has been turned awry, in one direction or another, by the cataclysm that involves the whole of Europe; but before that cataclysm happened there were tendencies unmistakable to the

observant business man. He deceives himself, and not others, who says that the business conditions here were good in June and July of 1914. The trade balance—the excess of our sales over our purchases—had been \$308,624,462 in our favor during the first seven months of 1913; during the first seven months of 1914 our sales exceeded our purchases by only \$60,579,830. A change so soon of \$250,000,000 in this absolute barometer is more significant than any theory of what should happen, however so ingeniously devised or attractively expressed.

No man can assert it as a fact, but I repeat that, in my deliberate judgment, formed not without careful thought, it has been only the tragedy of war that has prevented our condition from becoming disastrous even by this time. The war has thrust opportunities for export business upon us, and in the mean time our home market has, in spite of ourselves, been left to our own producers, for the simple reason that Europe cannot at the same time conduct war and produce goods for the American markets.

What is the cause and what the cure for this singular antagonism of governmental authorities to what is conducive to prosperity? No man desires ill for his country—least of all men upon whom their countrymen have conferred the honor and the responsibility of high office. Successful business men in charge of large affairs have undoubtedly, in their zeal, erred, and so, in their zeal, have public men whose ambitions have been along the line of politics rather than of business achievement. Is it possible that public men are more intent on the punishment of successful business men, and preventing the accumulation of large personal fortunes, than on achieving a condition of helpfulness to all? In a country so large and rich as ours it is idle to attempt to bring about a condition inimical to the accumulation of great wealth that is not also inimical to the wage-earner, the farmer, and all self-supporting men.

The cure for present ills is certainly not in the projection of the successful business-builder into public office; public office requires talents that the business-builder has not had time nor environment to cultivate. The business man who enters politics, without acquaintance with public men or general knowledge of public affairs, is apt to be most inefficient. Cannot the cure come, in part at least, from cordial co-operation and conference, on business matters, between substantial, sober, and successful men of business on the one hand, and the men in charge of the administration of public affairs on the other? I

do not mean that men in charge of the administration of public affairs should yield their judgment—only that they perfect it through frank consultation with successful business men who surely wish no ill to their country; but rather crave prosperity, not for themselves alone, but for the whole people, of whom they claim to constitute a component part as patriotic citizens.

President Wilson never said a wiser or truer thing than when, away back before the national conventions, he declared that all residents of this commercial country—miners, manufacturers, producers, bankers, lawyers, preachers, teachers—all are necessarily business men, and that, consequently, viewed aright, there could be no real conflict of interests, but there must be genuine co-operation along the whole line to attain mutual advantage throughout the world and the personal happiness that springs from common prosperity at home.

If all men in business and all men in public office—not excluding the President himself—will take this saying to heart and, in approaching difficult problems, act upon it openly, fairly, and manfully in the broad and thoughtful spirit in which it was given, the way will quickly open to the most splendid era this country has ever known.

JAMES B. DUKE.